



# Impact of Current Economic Conditions On Chicago Small Arts and Cultural Organizations

April 2009

## Introduction

In its role of understanding and improving the health of small arts and cultural organization in the Chicago area, the Arts Work Fund surveyed and interviewed grant recipients and grant applicants to learn how they are faring in the current economic climate. The findings underscore the even greater importance of grant funds dedicated to stabilizing the area's small arts and culture organizations and the need to support innovation in business and operational practices.

## Key Findings

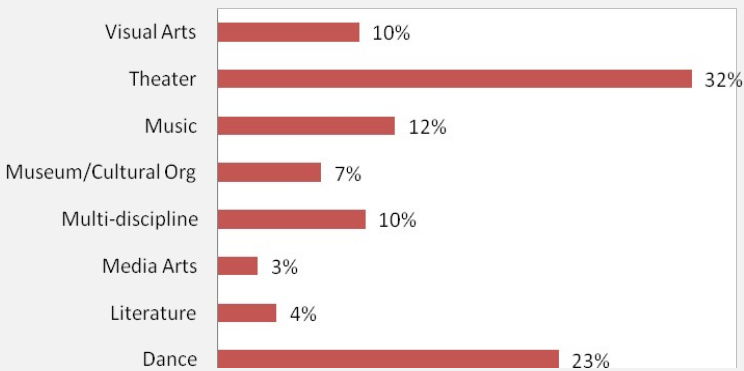
1. The impact of the recession and the organizational responses to it are not uniform.
2. The majority of organizations are not sure, at this point, what the effects of the recession will mean for them, and thus are having difficulty predicting and making long-term changes to accommodate the new economic climate.
3. Focused mission, clear market niche, audience/constituent loyalty, and strong staff leadership distinguishes those who appear to be managing the situation best.
4. Interviewed grant applicants fell into four general categories—those who are proactively addressing the situation and are planning long term; those who are making short-term organizational and programmatic changes, but are still unclear about what the next two years hold; those that expect significant growth despite the economy; and those who are, as one grant applicant put it, “crossing their fingers and hoping for the best.”
5. Those who are least financially literate were struggling prior to the recession and now are fully feeling its brunt—this cuts across budget size and discipline. Beyond this group, a notable number of Arts Work Fund applicants show lack of knowledge about how to manage finances.
6. For many organizations, the recession presents an opportunity to re-consider basic assumptions and plan for a different future. In some case, this may mean “right-sizing” the organization to a place where its revenue and expenditures are in balance. However, even those groups motivated by current circumstances to think unconventionally have few resources to do so.
7. Marketing and audience engagement investments are rising, particularly those that

focus on the move away from traditional marketing techniques in favor of social networking and online marketing, enhancing data mining efforts, etc. Print and mail are not only costly in the current environment but also proving less efficacious.

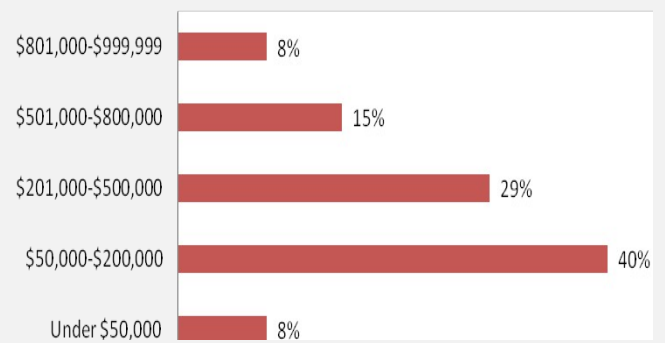
## About the Respondents

The Arts Work Fund asked 90 grant recipients and grant applicants to participate in a simple, ten-question survey to better understand how they are faring in the current economic climate. Seventy five groups (82%) responded. In addition, 50 of 59 organizations that applied to the Arts Work Fund's January 2009 grant application deadline were asked detailed financial questions during the proposal review process. Their responses supplement the survey.

**Survey Respondents by Artistic Discipline**



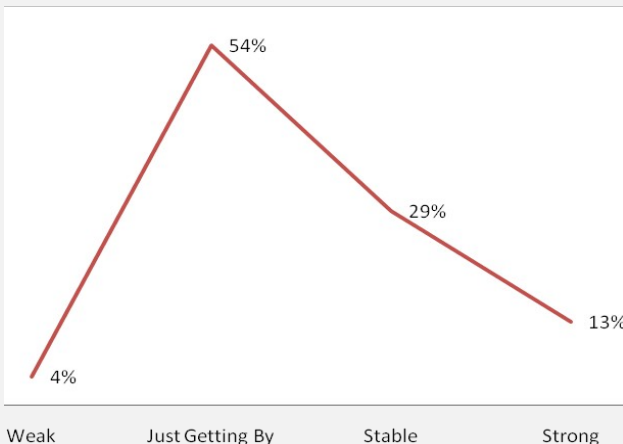
**Survey Respondents by Budget Size**



The majority of organizations self describe as operating on thin margins of cash, with few or no assets to help them weather financial ebbs.

*Our economic downturn happened BEFORE the economic downturn*

**Describe the fiscal health of your organization prior to the current economic downturn ?**



**Weak** = significant debt; uneven revenue year to year.

**Just Getting By** = no/little debt; no/few assets; just meeting annual revenue needs.

**Stable** = no debt; net assets include cash; stable/growing budget; evidence of financial planning.

**Strong** = healthy cash assets; well diversified revenue; strong financial oversight and planning.

## Current Fiscal Year Projections

*We are projecting and adjusting a few months at a time to feel our way through changes we will be facing.*

*We're a fifteen year old professional theater company and we are having a difficult time paying staff AND mounting shows. It is becoming a real issue.*

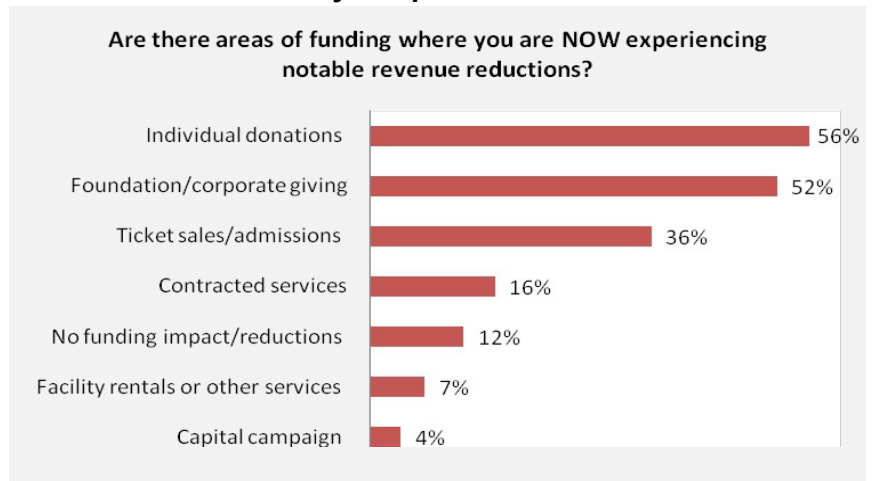
*We have experienced some minor decreases to ticket sales and rental income in recent months. These changes are not yet sufficient to indicate a trend, nor are they definitively related to the economic downturn. The general uncertainty regarding the impact of the economic downturn adds to our need to be prudent in budgeting, and may in time, impact our ongoing budget reviews in 2009 and 2010.*

Over 85% of the groups are experiencing a falloff in annual revenue, with some sources of funding suffering more than others, and varying by artistic discipline

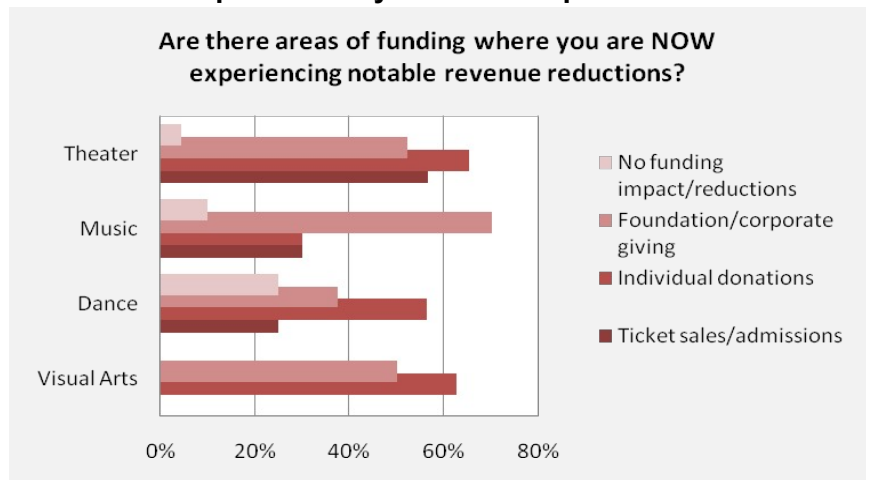
Arts organizations tend to have net assets that consist primarily or overwhelmingly of fixed assets. This means two things: there's little cash to manage when income is unpredictable and lower.

The most severe drops in revenue are from individual contributions and foundations/corporate grants, with over half of all respondents reporting notable declines in revenue from these sources. More than one-third of the groups are seeing significant declines in ticket sales and admissions. For the vast majority of organizations, attendance has been unpredictable, causing organizations to scramble week to week.

### All Survey Respondents



### Respondents by Select Discipline

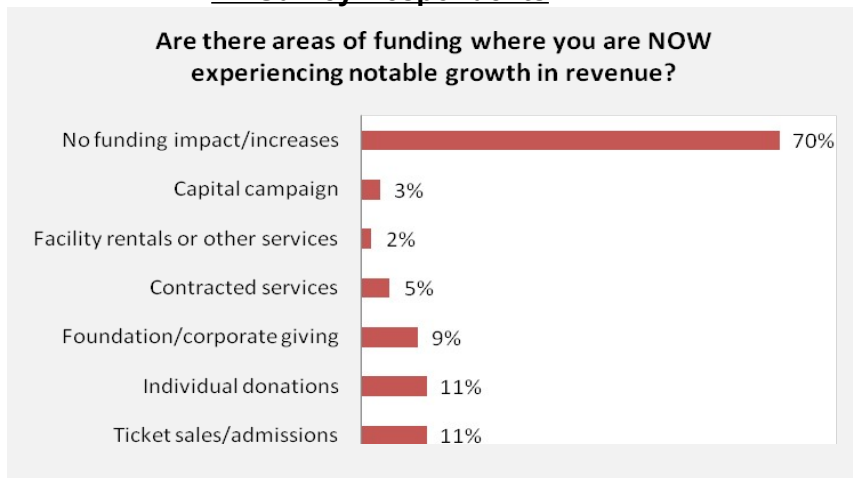


*[The] box office has maintained-- but it is coming in odd fits and starts. If the stock market has a bad week; it's a bad ticket sale week. [If the] stock market is good, it equals good ticket sales. It's weird.*

A small percentage of groups (12%) report that they are not experiencing revenue fall off. In fact, 30% report revenue increases.

A greater percentage (22%) of music groups report increases in ticket sales/admissions and individual contributions. This compares to 11% of theater groups and 9% of dance groups (17 respondents) reporting growth in ticket sales and individual contributions.

### All Survey Respondents

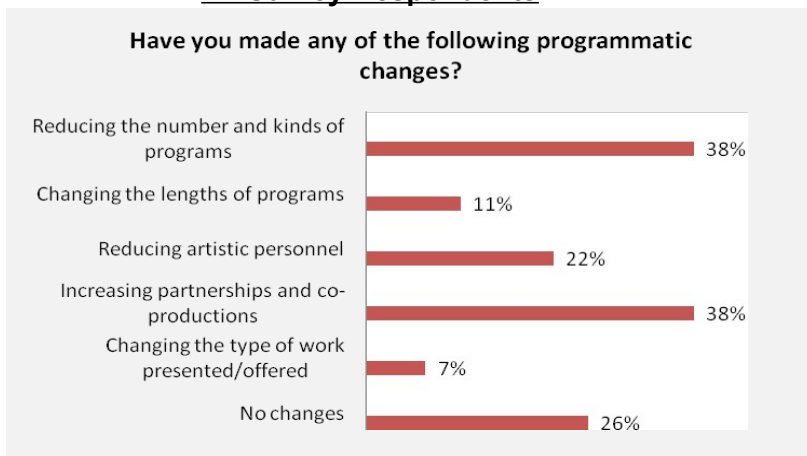


Regardless of discipline, groups attributed growth in revenue and strong audience participation rates to nimbleness, a focused mission, and a niche market.

## Measures to cut expenses

**Programmatic:** Just over 70% of groups are making programmatic changes. Cuts to arts programs range from presenting work with smaller production costs, trimming back schedules, extending current exhibitions or shows, or delaying openings. Over one-third are reducing the number and kinds of programs they offer and 21% are reducing artistic personnel. One-third of groups plan to partner or co-produce as a means to cut expenses.

### All Survey Respondents



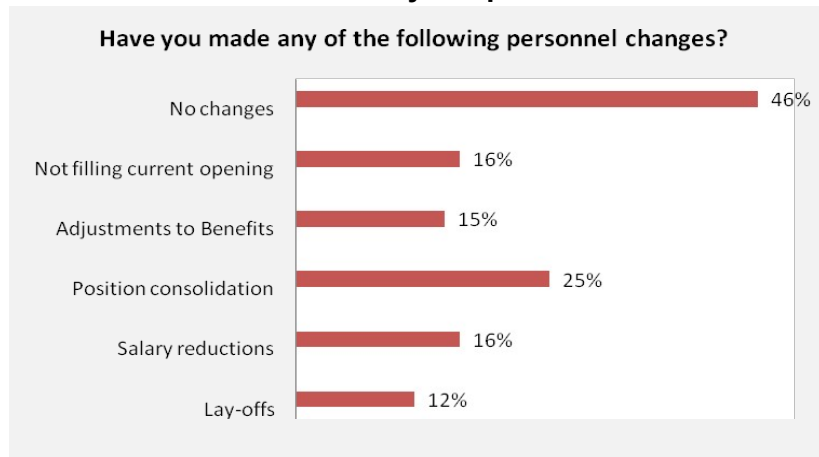
Theater groups have made the most aggressive changes to programs. Fifty-six percent have reduced the number and kinds of programs (56%), the number of artistic personnel (36%), and changing the lengths of programs (23%). Only 5% report having made no changes to programs.

**Personnel:** Just over half of the groups reported making personnel changes. Given the already lean staffs of small arts and cultural organizations, those that are making workforce changes are focusing on consolidating positions (23%), reducing salaries

(17%), reducing benefits (16%), and not filling current openings (16%). About 13% have laid off staff.

**Venue:** Over two-thirds of groups report no changes related to revenue. The remainder of groups are shifting to less expensive venues (17%) and postponing maintenance to existing venues (13%). No organizations report that they are planning to close.

### All Survey Respondents



Overall, the larger the organization’s budget size, the more likely it is to have reduced its current and projected budgets, engage in scenario planning that anticipates different revenue outcomes, and the least likely it is to plan for growth over the next to year.

## Looking Forward

*Despite the economic climate, we have grown 40% per year in the last 2 years, and are expected to do the same for the 09-10 fiscal years. Our concerts are performed in unexpected venues and in partnership with other artistic disciplines, attracting strong cross-over audiences.*

*We are expecting and planning for growth. Our company has a well-defined niche. When other theaters were slow and selling poorly last fall, we were selling our best ever. It’s because we have a loyal audience, primarily in their 20s and 30s, and because we produce work for which there is a scarcity of representation. Also, our tickets prices are low.*

And while over half of respondents noted that they were reducing projected budgets and planning for various revenue scenarios, 40% also said that they were planning for growth. It is notable that majority of those planning for growth had budgets either less than \$50,000 per year or greater than \$800,000 per year.

Perhaps because they are least likely to have

### All Survey Respondents



meaningful earned income revenue streams, media arts, literature and visual arts groups are the least likely to predict growth in revenue over the next two years.

None of the groups indicated that they planned on closing their doors. However, about 4% noted that they are considering mergers.

Over three-fourth of all groups plan to change their fundraising and marketing strategies to increase revenue—regardless of budget size. Many of the organizations applying for grants this cycle noted their acute need to invest more extensively and strategically in technology to make internal operations more efficient and communications and connection with external audiences and constituents more dynamic and robust. Some organizations are putting more resources into technology, even as they reduce staff and other costs.